

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 04/16/2012

POSITION: Neutral

SPONSOR: Los Angeles Unified School District

BILL NUMBER: AB 2580

AUTHOR: Furutani, Warren

BILL SUMMARY: Public contracts: job order contracting.

This bill would extend the sunset date for job order contracting by the Los Angeles Unified School District (LAUSD) until December 31, 2020, and each of the current LAUSD reporting requirements. Additionally, this bill would: (1) require the LAUSD to award job order contracts to the most qualified bidder, rather than lowest responsive bidder, that is compliant with the LAUSD's project stabilization agreement (PSA); (2) define PSA compliance to be no more than three project violations, as specified, in a three-year period; (3) require a job contractor, rather than the LAUSD, to provide at least a seven day public notice before adding or substituting a subcontractor; and (4) authorize the LAUSD to terminate a job order if the contractor violates the Subletting and Subcontracting Fair Practices Act.

FISCAL SUMMARY

Extending the sunset date to December 31, 2020 should not result in additional costs to the state or to the LAUSD given that current law specifies the LAUSD shall not use job order contracting if they find this form of contracting results in higher project costs.

According to the LAUSD's job order contracting report, job orders completed through November 1, 2011 showed reduced costs of approximately nine percent as compared to project estimates and procurement time.

COMMENTS

The Department of Finance is neutral on this bill. Based on the data noted above, job order contracting holds significant potential for reducing project costs, and thus can extend extremely limited bond resources. The sunset extension included in this bill will continue to help achieve additional project savings for the LAUSD.

Current law authorizes job order contracting by the LAUSD until December 1, 2012, and required the district to submit an interim report to the Office of Public School Construction, the Senate and Assembly Committees on Business and Professions, and the Senate and Assembly Committees on Education by June 30, 2005, for all projects completed by December 31, 2004. This bill would extend the sunset date for the LAUSD to utilize this contracting method until December 31, 2020, and extend the deadline for the required interim report on job order contracting to June 30, 2017 for projects completed by December 31, 2016. Additionally, this bill would extend the deadline for the LAUSD to submit a report describing each job order contract to the Office of Public School Construction, the Senate and Assembly Committees on Business and Professions, the Senate and Assembly Committees on Education, and the Joint Legislative Budget Committee to December 31, 2019, for jobs completed by June 30, 2019. Specifically, the report would include a list of all projects completed and the contractor awarded under each job order contract, estimated and actual project costs, estimated procurement time savings, a description of any job protests, and recommendations for the most appropriate uses for the job order contracting process.

Analyst/Principal (0341) C.Ferguson	Date	Program Budget Manager Nicolas Schweizer	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

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COMMENTS (continued)

Chapter 889, Statutes of 2003 (AB 14, Horton) provided the LAUSD with the original authority to utilize job order contracts as a project delivery method. Job order contracting is a fixed price, competitively bid, indefinite quantity contracting process based on a catalog of anticipated pre-priced construction tasks and a companion set of technical specifications establishing the technical and quality standards of work to be performed. Contractors competitively bid their adjustment to the pre-established prices, with the job order contract being awarded to the bidder with the lowest adjustment factor. The project owner and the contractor then enter into a contract, generally for a specified term, specifying minimum and maximum dollar values for work to be awarded during the term. Chapter 570, Statutes of 2006, (AB 2362, Horton) extended the sunset date for LAUSD job order contracting from December 1, 2007 to December 1, 2012.

	SO	(Fiscal Impact by Fiscal Year)					
Code/Department	LA	(Dollars in Thousands)					
Agency or Revenue	CO	PROP					Fund
Type	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015	Code
6350/Facil Aid	LA	No		----- See Fiscal Summary -----			6057
<u>Fund Code</u>	<u>Title</u>						
6057	School Facilities Fund, 2006 State						